



**BUDGET, FINANCE & AUDIT COMMITTEE
UNA FOUNDATION**

Monday, February 28, 2022 10:00 -11:00 a.m.

Via Zoom

AGENDA

- I. Welcome.....Cathy Miller '83, *Chair*
- II. Review of Prior Meeting Minutes.....Cathy Miller
- III. Review of Development Goals.....Kevin Haslam
- IV. Audited Financial Statements..... Jeremy Blackburn
- V. Review of Foundation Financial Statements.....Gwen Patrick
- VI. Budget Adjustments.....Kevin Haslam
- VII. Additional Deposit to Short Term Investment Fund.....Gwen Patrick

MEMBERS

Cathy Miller '83, Chair
Mike Washburn '82, Vice Chair
Larry Bowser

Kyle Buchanan
Graham Sisson '87
Matthew Schmitz '00
Andy Whitt

Kevin Haslam (ex-officio)
Evan Thornton '15 (ex-officio)
Lucy Trousdale '89

Gwen Patrick '83, Staff Liaison

ARTICLE V, Section 2

The UNA Vice President for University Advancement/Executive Director and the UNA Vice President for Business and Financial Affairs/Treasurer shall serve as staff to the Committee. The Budget, Finance and Audit Committee shall submit for approval to the Board of Directors its recommendations as to an annual budget for the UNA Foundation. The Committee shall review the annual audit (in preliminary and final forms) of the Foundation prepared by the independent auditing firm then servicing the Foundation, shall present the annual audit report to the Executive Committee and the Board of Directors for approval and shall recommend to the Executive Committee and Board of Directors such other policies as it deems necessary and appropriate to assure the prudent oversight of the business and financial affairs of the Foundation. The Chair of this committee also serves as Treasurer of the Foundation Board of Directors and of the Board's Executive Committee.



University of
NORTH ALABAMA
FOUNDATION

**MINUTES
BUDGET, FINANCE AND AUDIT COMMITTEE
UNA FOUNDATION**

Friday, November 12, 2021; 10:30 a.m. – 11:30 a.m.

The Guillot University Center – Banquet Hall D

Present: Vice Chair Mike Washburn, Graham Sisson (via Zoom), Matthew Schmitz, Larry Bowser, Evan Thornton (ex-officio) and Foundation Executive Director Kevin Haslam (ex-officio).

Not Present: Lucy Trousdale, Chair Cathy Miller and Kyle Buchanan

Staff Liaison: Gwen Patrick

The meeting was called to order at 10:32 a.m.

Vice Chair Washburn reviewed minutes from the July 23, 2021 Budget, Finance, and Audit Committee meeting. Mr. Bowser made a motion to approve the minutes, Evan Thornton provided a second and all members voted in favor.

Foundation Executive Director Haslam then reviewed the progress toward Fiscal Year 2022 Development Goals with the Committee. 10% of the Fiscal Year has elapsed and the Foundation has reached 21% of its annual goal as of November 8, 2021. \$1,288,191 has been raised versus a goal of \$6,000,000. Also, it was announced that the goal of 2,152 unique donors for Fiscal Year 2021 was achieved. 313 unique donors have been counted toward a goal of 2,272 for Fiscal Year 2022. Emphasis will continue to be placed on this important statistic. The process of counting pledges and planned gifts were also discussed and how they differ on the Development Report vs. Financial Statements.

Vice Chair Washburn then proceeded to introduce the subject of Administrative Fees that are being assessed against the market value of the endowment pool and against other restricted gifts. The fees are currently 1% and 2% respectively. He informed the Committee that the Investment Committee had met on several occasions to discuss what impact a fee increase would have on the endowment pool. The Investment Committee recommended a .5% increase in the Administrative Fee that is assessed against the market value of the endowment pool. Among the topics discussed regarding this issue were the need for additional revenue since the Foundation's surplus has decreased, other sources of Unrestricted Revenue, the possibility of having to increase fees again in the future, the financial needs of the upcoming campaign and comparison with fees assessed by other Institutionally Related Foundations. Matthew Schmitz made a motion that the Foundation increase the fee assessed on the market value of the endowment pool from 1% to 1.5% and to increase the fee assessed on other restricted gifts from 2% to 5% and to inform the Investment Committee that another request could be made in the future. Larry Bowser provided a second and all members voted in favor.

As requested in a previous Committee meeting, Gwen Patrick reviewed the projects that the Foundation has helped fund from its Unrestricted funds in previous years.

She then proceeded to review the statement reflecting the Actual Unrestricted Income and Expenses to Budget as of September 30, 2021. Unrestricted Revenue exceeded Unrestricted Expenses for Fiscal Year 2021 by \$45,507. Ms. Patrick also reviewed a Statement of Activities and a Statement of Financial Position for September 30, 2021. Due to successful fundraising and market performance, Total Assets from Fiscal Year 2020 increased from \$38M to \$48M for Fiscal Year 2021. She indicated that these amounts could change due to the ongoing audit.

The meeting was adjourned at 11:32 a.m.

FY22 Development Goals**Percent of Year Elapsed:****38%**

10/1/2021

	Goal	\$ Raised This FY to date	As of	% of Goal Reached
Total Dollars:	\$ 6,000,000.00	\$15,525,440.51	2/17/2022	259%
Annual Giving:	\$ 800,000.00	\$480,726.98	2/17/2022	60%

	Goal	Number This FY to date	As of	% of Goal Reached
Unique Donors:	2272	1072	2/17/2022	47%

Included in Above Totals

1830 Fund:	\$ 120,000.00	\$1,030,232.74	2/17/2022	859%
Athletics Unrestricted:	\$ -	\$184,155.84	2/17/2022	
Planned Giving:	New Planned Gifts 25	Amount Committed \$6,471,900.00	2/17/2022	

UNA Foundation
Statement of Activities
Fiscal Year to Date January 31, 2022 (Unaudited)

	Unrestricted	Restricted	Fiscal YTD 1/31/2022
Support and Revenue			
Support			
Contributions	51,261.53	10,443,800.01	10,495,061.54
In-Kind Contributions		24,879.38	24,879.38
Other Income	604.39	7,719.82	8,324.21
Interest Income	5,618.68	5,041.50	10,660.18
Transfers - Net	259,533.31	(259,533.31)	-
Total Support	317,017.91	10,221,907.40	10,538,925.31
Investment Revenue			
Interest & Dividend Revenue		3,906,064.34	3,906,064.34
Capital Gains (Losses)		(3,519,962.69)	(3,519,962.69)
Unrealized Gains (Losses)		42,491.30	42,491.30
Investment Fees		(42,268.99)	(42,268.99)
Total Investment Revenue		386,323.96	386,323.96
Total Support and Revenue	317,017.91	10,608,231.36	10,925,249.27
Expenses			
Special Events Expenses (Derby Day)			-
Supplies	731.78	14,991.64	15,723.42
Postage, Printing & Copying	6,235.62	3,817.43	10,053.05
Marketing Expenses	37,073.25		37,073.25
Audit & Accounting	1,125.00		1,125.00
Dues, Memberships & Donations	2,509.33	5,057.68	7,567.01
Capital Campaign Expense			-
Contracted Services	653.41	15,802.11	16,455.52
Insurance	12,976.00	82.40	13,058.40
Fees	4,567.39	999.80	5,567.19
Travel	4,484.03	21,321.85	25,805.88
Staff/Faculty Development & Travel	3,303.35	9,027.63	12,330.98
Meetings and Events	15,547.21	41,919.24	57,466.45
Repairs & Maintenance			-
Scholarships		627,005.22	627,005.22
Student Support		7,898.52	7,898.52
Program Support	173,092.13	215,909.41	389,001.54
Awards and Stipends		3,523.50	3,523.50
Alumni Club Development/NAA Events	19,224.64	6,467.66	25,692.30
Software & Computer Expense	6,207.54	13.13	6,220.67
In-Kind Expense		24,879.38	24,879.38
Pledge Write-Offs			-
Total Expenses	287,730.68	998,716.60	1,286,447.28
Beginning Net Assets	748,360.65	46,594,605.63	47,342,966.28
Net Income (Deficit)	29,287.23	9,609,514.76	9,638,801.99
Ending Net Assets	777,647.88	56,204,120.39	56,981,768.27

UNA Foundation
Statement of Financial Position
As of January 31, 2022 (Unaudited)

	Unrestricted	Restricted	Total
Assets			
Current Assets			
Cash and Cash Equivalents	660,266.92	9,611,071.85	10,271,338.77
Short Term Investment Account		1,961,768.27	
Pledges Receivable	10,039.53	1,672,870.50	1,682,910.03
Interest Receivable		11,733.65	11,733.65
Total Current Assets	670,306.45	13,257,444.27	13,927,750.72
Long-Term and Fixed Assets			
Restricted Certificates of Deposit		511,042.47	511,042.47
Investments		42,950,495.10	42,950,495.10
Fixed Assets, Net	98,650.00		98,650.00
Total Long-Term and Fixed Assets	98,650.00	43,461,537.57	43,560,187.57
Other Assets			
Cash Surrender Value of Life Insurance	176,846.43		176,846.43
Pledge Receivable - Non Current			-
Total Other Assets	176,846.43	-	176,846.43
Total Assets	945,802.88	56,718,981.84	57,664,784.72
Liabilities and Net Assets			
Liabilities			
Accounts Payable	168,155.00	313,266.77	481,421.77
Annuity Obligations		201,594.68	201,594.68
Total Liabilities	168,155.00	514,861.45	683,016.45
Net Assets			
Unrestricted	777,647.88		777,647.88
Restricted		56,204,120.39	56,204,120.39
Total Net Assets	777,647.88	56,204,120.39	56,981,768.27
Total Liabilities and Net Assets	945,802.88	56,718,981.84	57,664,784.72

UNA FOUNDATION

Budget vs. Actual

Fiscal Year through January 31, 2021 - Unaudited

	Actual Fiscal YTD	Fiscal Year Budget To Date	Over (Under) Budget	FY 2022 Estimate
Restricted for University Priorities				
Prior Year's Budget Surplus	140,000.00	140,000.00		140,000.00
Income				
1830 Fund	51,261.53	120,000.00	(68,738.47)	120,000.00
Expenses				
University Priorities	150,000.00	210,000.00	(60,000.00)	210,000.00
President's Discretionary Fund	18,092.13	50,000.00	(31,907.87)	50,000.00
	168,092.13	260,000.00	(91,907.87)	260,000.00
Net Income for University Priorities	23,169.40	-	23,169.40	-
Unrestricted				
Prior Year's Budget Surplus	69,150.00	69,150.00		69,150.00
Income				
Fee on Endowed Funds	122,311.80	356,000.00	(233,688.20)	365,000.00
Fee on Current Use Funds	137,825.90	45,000.00	92,825.90	228,000.00
Interest Income	5,618.68	30,000.00	(24,381.32)	14,000.00
	265,756.38	431,000.00	(165,243.62)	607,000.00
Expenses				
Fundraising/Cultivation				
Donor Relations	1,609.33	10,000.00	(8,390.67)	12,000.00
Donor Travel and Cultivation	3,848.39	35,000.00	(31,151.61)	20,000.00
Dues, Memberships and Donations	900.00	16,000.00	(15,100.00)	13,000.00
Contracted Services	653.41	10,000.00	(9,346.59)	10,000.00
Donor Recognition Events	15,547.21	11,000.00	4,547.21	20,000.00
Marketing	37,073.25	109,500.00	(72,426.75)	109,500.00
Staff Development Fees & Travel	3,303.35	20,000.00	(16,696.65)	20,000.00
Other Travel	635.64	4,300.00	(3,664.36)	4,300.00
Alumni Club Development	19,224.64	35,000.00	(15,775.36)	35,000.00
Foundation Operating Expenses				
Supplies	731.78	10,000.00	(9,268.22)	10,000.00
Postage, Printing & Copying	6,235.62	29,500.00	(23,264.38)	29,500.00
Audit & Accounting	1,125.00	18,850.00	(17,725.00)	18,850.00
Computer & Software Services	6,207.54	92,000.00	(85,792.46)	92,000.00
Insurance	12,976.00	12,000.00	976.00	12,976.00
Bank/Credit Card Fees	4,567.39	12,000.00	(7,432.61)	14,000.00
General Program Support	5,000.00	75,000.00	(70,000.00)	50,000.00
Total Expenses	119,638.55	500,150.00	(380,511.45)	471,126.00
Net Unrestricted Income	215,267.83	-	215,267.83	205,024.00
Total Net Restricted and Net Unrestricted Income	238,437.23	-	238,437.23	205,024.00

University of North Alabama Foundation

Report to the Board of Directors

February 24, 2022





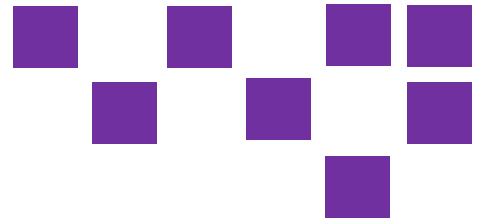
February 24, 2022

Board of Directors
University of North Alabama Foundation

We are pleased to present this report related to our audit of the financial statements of the University of North Alabama Foundation for the year ended September 30, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the University of North Alabama Foundation's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the University of North Alabama Foundation.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC". The signature is written in dark ink and is positioned below the main body of the letter.



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Exhibit A - Significant Written Communications between Management and Our Firm

Representation Letter

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Auditor's Responsibility Under Professional Standards	As stated in our engagement letter dated November 1, 2021 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.
Accounting Practices	Adoption of, or Change in, Accounting Policies The significant accounting policies used by the Foundation are described in Note 1 to the financial statements.
	Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
	Alternative Treatments Discussed with Management We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management has informed us that they used all the relevant facts available to them at the time to make the best judgments about accounting estimates, and we considered this information in the scope of our audit.
Audit Adjustments	There were no audit adjustments noted.
Uncorrected Misstatements	Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no uncorrected misstatements.

Area	Comments
Disagreements with Management	<p>Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.</p> <p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.</p>
Consultations with Other Accountants	<p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.</p>
Significant Issues Discussed with Management	<p>No significant issues arising from the audit were discussed or were the subject of correspondence with management.</p>
Difficulties Encountered in Performing the Audit	<p>We did not encounter any difficulties in dealing with management during the audit.</p>
Certain Written Communications Between Management and Our Firm	<p>Copies of Management's Representations are attached as Exhibit A.</p>

Exhibit A

**Significant Written Communications
Between Management and Our Firm**



University of
NORTH ALABAMA
FOUNDATION

February 24, 2022

Mauldin & Jenkins, LLC
P. O. Box 929
Athens, AL 35612

This representation letter is provided in connection with your audit of the financial position of the University of North Alabama Foundation. (the Foundation), which comprise the statement of financial position as of September 30, 2021, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of February 24, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated November 1, 2021, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

8. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
9. All transactions have been recorded in the accounting records and are reflected in the financial statements.
10. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
11. We have no knowledge of allegations of fraud or suspected fraud affecting the Organization's financial statements received in communications from employees, former employees, regulators or others.
12. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements. Additionally, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
13. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.
14. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
15. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Organization's ability to record, process, summarize and report financial data.
16. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
17. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the

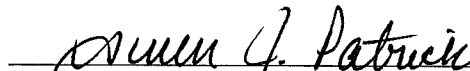
organization vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements. We understand that *concentrations* include individual or group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that *severe impact* means a significant financially disruptive effect on the normal functioning of the organization. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

18. The University of North Alabama Foundation. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
19. There are no—
 - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with FASB *Accounting Standards Codification*, (formerly *Statement of Financial Accounting Standards No. 5, Accounting for Contingencies*), and we have not consulted a lawyer concerning litigation, claims, or assessments.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB *Accounting Standards Codification*, (formerly *Statement of Financial Accounting Standards No. 5, Accounting for Contingencies*).
 - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
20. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
21. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions. As part of your audit, you prepared the draft financial statements, related notes, and supplemental information. We have designated Mrs. Gwen Patrick to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, and supplemental information and believe they are adequately supported by the books and records of the Organization. We understand that as part of your audit, you proposed adjusting journal entries, and we acknowledge that we have reviewed and approved those entries.

22. We acknowledge we will not utilize Mauldin & Jenkins, LLC to store our documents, data, or records on our behalf in accordance with the "Hosting Services" (see ET section 1.295.143) interpretation of the AICPA Code of Professional Conduct. University of North Alabama Foundation is solely responsible for maintaining its own data and records. In that regard, SuraLink is used solely as a method of transferring data to Mauldin & Jenkins, LLC and is not intended for the storage of our information. All information we provided through SuraLink was a copy and we maintain original documents and data as part of our records.
23. In regards to the financial statement preparation and information return preparation services performed by you, we have:
- a. Made all management decisions and performed all management functions.
 - b. Designated Mrs. Gwen Patrick to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
 - e. Established and maintained internal controls, including monitoring ongoing activities.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

The University of North Alabama Foundation



Mrs. Gwen Patrick, CPA
Director of Financial and Database Services



University of North Alabama Foundation
Florence, AL

In planning and performing our audit of the financial statements of University of North Alabama Foundation (the Foundation) as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Mauldin & Jenkins, LLC

February 24, 2022



University of North Alabama Foundation Financial Report September 30, 2021 and 2020

UNIVERSITY OF NORTH ALABAMA FOUNDATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020

University of North Alabama Foundation

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September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of North Alabama Foundation
Florence, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the University of North Alabama Foundation (the Foundation), a non-profit organization, which comprise the statement of financial position as of September 30, 2021, the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, collectively, the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of North Alabama Foundation as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditors

The financial statements of the University of North Alabama Foundation, as of and for the year ended September 30, 2020, were audited by CDPA, PC (predecessor auditors), whose partners joined Mauldin & Jenkins, LLC on July 1, 2021. Their report, dated February 11, 2021, expressed an unmodified opinion on those financial statements.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Florence, AL
February 24, 2022

University of North Alabama Foundation
Statement of Financial Position
September 30, 2021 and 2020

Assets	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and Cash Equivalents	\$ 3,574,460	\$ 3,805,417
Pledges Receivable, net – Current	469,189	727,413
Certificate of Deposits	-	763,018
Other Receivable	76	2,245
Interest Receivable	<u>11,734</u>	<u>12,375</u>
Total Current Assets	<u>4,055,459</u>	<u>5,310,468</u>
Long-Term Investments		
Restricted Certificates of Deposit for Long Term Investments	511,042	511,042
Investments	<u>43,342,179</u>	<u>31,776,676</u>
Total Long-Term Investments	<u>43,853,221</u>	<u>32,287,718</u>
Fixed Assets		
Donated Artifacts and Collectibles	98,650	98,650
Furniture and Equipment	<u>24,364</u>	<u>24,364</u>
	123,014	123,014
Less: Accumulated Depreciation	<u>(24,364)</u>	<u>(24,364)</u>
Total Fixed Assets	<u>98,650</u>	<u>98,650</u>
Other Assets		
Cash Surrender Value of Life Insurance	176,846	172,126
Pledges Receivable, net – Non-Current	<u>451,197</u>	<u>643,865</u>
Total Other Assets	<u>628,043</u>	<u>815,991</u>
Total Assets	<u>\$ 48,635,373</u>	<u>\$ 38,512,827</u>

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Financial Position
September 30, 2021 and 2020

Liabilities and Net Assets	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts Payable	\$ 649,718	\$ 392,265
Agency Funds – North Alabama Lions Athletic Club	299,705	115,053
Obligations to Beneficiaries under Split-Interest Agreements – Current	<u>31,199</u>	<u>31,199</u>
Total Current Liabilities	<u>980,622</u>	<u>538,517</u>
Non-Current Liabilities		
Obligations to Beneficiaries under Split-Interest Agreements – Non-Current	<u>179,301</u>	<u>198,925</u>
Total Non-Current Liabilities	<u>179,301</u>	<u>198,925</u>
Total Liabilities	<u>1,159,923</u>	<u>737,442</u>
Net Assets		
Without Donor Restrictions	1,667,224	1,808,191
With Donor Restrictions	<u>45,808,226</u>	<u>35,967,194</u>
Total Net Assets	<u>47,475,450</u>	<u>37,775,385</u>
Total Liabilities and Net Assets	<u>\$ 48,635,373</u>	<u>\$ 38,512,827</u>

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2021

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Revenue and Support:			
Contributions	\$ 95,372	\$ 5,755,713	\$ 5,851,085
In-Kind Donations	1,130,428	18,857	1,149,285
Other Income	7,075	36,734	43,809
Transfers	360,264	(360,264)	-
Net Assets Released from Restrictions	<u>2,356,642</u>	<u>(2,356,642)</u>	<u>-</u>
 Total Support and Revenue	 <u>3,949,781</u>	 <u>3,094,398</u>	 <u>7,044,179</u>
 Expenses:			
Program Services	2,230,446	-	2,230,446
Management and General	1,194,484	-	1,194,484
Fundraising Expenses	<u>556,758</u>	<u>-</u>	<u>556,758</u>
 Total Expenses	 <u>3,981,688</u>	 <u>-</u>	 <u>3,981,688</u>
 Change in Net Assets from Operating	 <u>(31,907)</u>	 <u>3,094,398</u>	 <u>3,062,491</u>
 Nonoperating Activities			
Interest Income	34,372	33,392	67,764
Investment Return, Net of Fees	<u>(143,432)</u>	<u>6,713,242</u>	<u>6,569,810</u>
 Change in Net Assets from Nonoperating	 <u>(109,060)</u>	 <u>6,746,634</u>	 <u>6,637,574</u>
 Change in Net Assets	 <u>(140,967)</u>	 <u>9,841,032</u>	 <u>9,700,065</u>
 Net Assets at Beginning of Year	 <u>1,808,191</u>	 <u>35,967,194</u>	 <u>37,775,385</u>
 Net Assets at End of Year	 <u>\$ 1,667,224</u>	 <u>\$ 45,808,226</u>	 <u>\$ 47,475,450</u>

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2020

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Revenue and Support:			
Contributions	\$ 164,303	\$ 3,314,268	\$ 3,478,571
In-Kind Donations	1,085,376	13,344	1,098,720
Other Income	3,146	67,712	70,858
Transfers	435,846	(435,846)	-
Net Assets Released from Restrictions	<u>2,677,082</u>	<u>(2,677,082)</u>	<u>-</u>
 Total Support and Revenue	 <u>4,365,753</u>	 <u>282,396</u>	 <u>4,648,149</u>
 Expenses:			
Program Services	2,562,159	-	2,562,159
Management and General	1,465,703	-	1,465,703
Fundraising Expenses	<u>353,037</u>	<u>-</u>	<u>353,037</u>
 Total Expenses	 <u>4,380,899</u>	 <u>-</u>	 <u>4,380,899</u>
 Change in Net Assets from Operating	 <u>(15,146)</u>	 <u>282,396</u>	 <u>267,250</u>
 Nonoperating Activities			
Interest Income	31,776	70,530	102,306
Investment Return, Net of Fees	<u>(123,619)</u>	<u>2,402,345</u>	<u>2,278,726</u>
 Change in Net Assets from Nonoperating	 <u>(91,843)</u>	 <u>2,472,875</u>	 <u>2,381,032</u>
 Change in Net Assets	 <u>(106,989)</u>	 <u>2,755,271</u>	 <u>2,648,282</u>
 Net Assets at Beginning of Year	 <u>1,915,180</u>	 <u>33,211,923</u>	 <u>35,127,103</u>
 Net Assets at End of Year	 <u>\$ 1,808,191</u>	 <u>\$ 35,967,194</u>	 <u>\$ 37,775,385</u>

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Cash Flows
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 9,700,065	\$ 2,648,282
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Realized and Unrealized Gain on Investments	(5,316,443)	(989,489)
Bad Debt Expense	137,351	213,792
Change in Pledge Receivables	313,541	(63,737)
Change in Other Receivables	2,169	(2,245)
Change in Other Assets	641	2,723
Change in Accounts Payable	257,453	(190,539)
Change in Agency Funds	184,652	(35,372)
Change in Actuarial Obligations Under Split-Interest Agreements	11,575	18,786
Restricted Contributions to Endowment	<u>(5,755,713)</u>	<u>(3,314,268)</u>
Net Cash Used in Operating Activities	<u>(464,709)</u>	<u>(1,712,067)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(12,839,229)	(3,154,709)
Change in Cash Surrender Value	(4,720)	(4,602)
Proceeds from Investments	<u>7,353,187</u>	<u>3,902,383</u>
Net Cash Used in Investing Activities	<u>(5,490,762)</u>	<u>743,072</u>
Cash Flows from Financing Activities:		
Payments of Obligations Under Split-Interest Agreements	(31,199)	(31,199)
Contributions to Endowment	<u>5,755,713</u>	<u>3,314,268</u>
Net Cash From Financing Activities	<u>5,724,514</u>	<u>3,283,069</u>
Net (Decrease) Increase in Cash	(230,957)	2,314,074
Cash at Beginning of Year	<u>3,805,417</u>	<u>1,491,343</u>
Cash at End of Year	<u>\$ 3,574,460</u>	<u>\$ 3,805,417</u>

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of North Alabama Foundation (the Foundation) was established to provide support for the private fundraising efforts of the University of North Alabama (the University) and to manage privately donated funds. The Foundation is a nonprofit corporation organized in accordance with the laws of the State of Alabama and governed by a volunteer Board of Directors (Board). The Foundation is a component unit of the University.

The private fundraising efforts of the University and the Foundation result in the Foundation receiving contributions for the benefit of the University. Contributions are either available to be used currently or restricted as an endowment to be invested in perpetuity and provide support from investment returns for student scholarships, faculty and research support, other operational support, and for facilities and equipment. Fundraising efforts also result in the creation of charitable trusts and gift annuities. When the trusts and annuities mature, the remainder interests are available for the designated purposes as current-use or endowment gifts. The Foundation is the trustee for substantially all of the charitable remainder trusts. The Foundation also receives unrestricted contributions that can be used for Foundation activities. The Foundation devotes all its income and profits, after paying its expenses, for the benefit of the University.

Contributions may be received in cash, marketable securities, real property, tangible personal property, gifts-in-kind, life insurance policies, and various deferred giving vehicles. Contributions received in forms other than cash, except gifts-in-kind and life insurance policies, are generally liquidated. The proceeds, together with cash gifts, are placed in investment pools or other investments consistent with the purpose of the gift or the requirements of the trust agreement. The Foundation employs investment professionals to manage its investment pools and certain trust investments.

The Foundation provides financial support for the University's private fundraising efforts, maintains donor records, issues reports to donors, and provides certain direct University support at the request of the University.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.
- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Net assets released from restrictions represent expenses incurred during the year that satisfy the restricted purpose. Of the restricted balances at September 30, 2021, \$39,266,834 is restricted for scholarship purposes while \$6,541,392 is restricted for instructional and program support services. Of the restricted balances at September 30, 2020, \$26,925,661 is restricted for scholarship purposes while \$9,041,533 is restricted for instructional and program support services.

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The composition of net assets released from restrictions for the years ended September 30, 2021 and 2020 is as follows:

	2021 With Donor <u>Restrictions</u>	2020 With Donor <u>Restrictions</u>
Program Services	\$ 1,014,765	\$ 1,465,550
Instruction	484,996	356,237
Scholarships	<u>856,881</u>	<u>855,295</u>
Total	<u>\$ 2,356,642</u>	<u>\$ 2,677,082</u>

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

Pledges receivable are stated net of an allowance for doubtful accounts. The Foundation estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. The allowance for doubtful accounts for pledges receivable was \$86,537 and \$85,088 at September 30, 2021 and 2020, respectively.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Fixed Assets

Furniture and Equipment is recorded at cost to the Foundation or, if donated, at estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. In the absence of donor-imposed restrictions on the use of donated asset, the Foundation has adopted a policy of reporting these donations as unrestricted support. The cost of property, plant, and equipment in excess of \$5,000 is capitalized. Additions, improvements or expenditures for repairs and maintenance that significantly add to the productivity or extend the economic life of the assets are capitalized. At the time items are retired or sold, the applicable cost and accumulated depreciation are removed from the accounts and the difference, net of proceeds, is charged or credited to operations. Expenses for repairs and maintenance are charged to operations as incurred. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets ranging from three to twenty years.

Donated artifacts and collectibles are recorded at cost if purchased or, if donated, at estimated fair value at the time of donation. The Foundation does not recognize depreciation on artifacts and collectibles. Collections are preserved and held for public exhibition, education and research. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items or for the direct care of existing collections. In addition, the Foundation utilizes certain facilities owned by the University. Such facilities are not recorded on the books of the Foundation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), collectively ASC 606, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). In June 2020, FASB issued ASU 2020-05, Revenue from Contract with Customers (Topic 606) and Leases (Topic 842), permitting the deferral of the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2019. The Foundation adopted Topic 606 effective October 1, 2020, using the modified retrospective method. Adoption of this standard did not result in an adjustment to net assets.

Income Taxes

The Foundation is exempt from paying tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation had no unrelated business activities that are subject to taxes. The Foundation's federal Exempt Organization Business Income Tax Returns for 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Cash Surrender Value

Cash surrender value of life insurance is reported at surrender value as September 30, 2021. Changes in cash surrender value of life insurance policies are reported as other income on the Statement of Activities and Changes in Net Assets.

Revenue, Gains, and Other Support and Expense's and Losses

Uncertainties

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Foundation and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Foundation operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which was the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At September 30, 2021, the Foundation had \$4,055,383 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$3,574,460, pledges receivable of \$469,189, and interest receivable of \$11,734.

At September 30, 2020, the Foundation had \$5,310,468 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$3,805,417, certificates of deposit of \$763,018, pledges receivable of \$727,413, accounts receivable of \$2,245, and interest receivable of \$12,375.

NOTE 3 – CASH AND CERTIFICATES OF DEPOSITS

The Foundation considers all time deposits, certificates of deposit and highly liquid instruments with an initial maturity of three months or less to be cash equivalents, except for investments purchased with endowment assets, which are classified as long-term investments. The Foundation maintains its cash balances with one financial institution. At September 30, 2021 and 2020, the Foundation's cash balance exceeds FDIC insurable limits by \$3,327,994 and \$3,305,428, respectively.

The Foundation has received certain donations that are required to be maintained in certificates of deposit with a certain bank. These certificates of deposit are associated with long term donations and are therefore considered restricted. At September 30, 2021, these certificates of deposit with donor restrictions totaled \$511,042 and exceeded FDIC insurable limits by \$261,042.

At September 30, 2020, these certificates of deposit with donor restrictions totaled \$511,042 and exceeded FDIC insurable limits by \$261,042. At September 30, 2020, the Foundation also has certificate of deposits without donor restrictions with a certain bank that totaled \$763,018 and exceeded FDIC insurable limits by \$513,018.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

NOTE 4 – INVESTMENTS

The Foundation's endowment consists of approximately 370 individual funds established for the purposes of scholarships and overall support of the University, including instructional and athletic support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has received various donations to establish permanent endowment funds to provide scholarships for University of North Alabama students and the terms of the donations require these funds to be segregated from other Foundation funds.

Investment Reporting

Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest and dividends; realized/unrealized gains and losses are reported as investment return. Investment income attributable to amounts held for the benefit of the University is reported in net assets with donor restrictions. When the activities occur, the amounts are transferred from net assets with donor restrictions to net assets without donor restrictions and the disbursements are reported as decreases in net assets without donor restrictions. Investment income attributable to amounts held for the benefit of the Foundation is reported in net assets without donor restrictions.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Investment Return Objective Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Performance goals have been established to provide a basis upon which to judge the effectiveness of the investment objective and those responsible for implementing investment decisions on a day-to-day basis. Investment managers will be judged over a cycle of three to five years.

Spending Policy

It is the policy of the Foundation to annually distribute, at least 3-5% of the average market value of the Foundation's investments (at the end of the fiscal year) over a rolling three year period. It shall be the responsibility of the Foundation's Investment Committee to periodically review the spending policy against actual returns in order to make adjustments necessary.

Income available for spending is determined by a total return system. The amount to be spent in the coming year is calculated and is reviewed and approved by the Foundation Executive Committee and Investment Committee.

The income that may be spent, as determined in this paragraph, may be drawn from both ordinary income earned (i.e. dividends, interest, etc.) and appreciation, both earned and unearned. All income and appreciation not needed to meet spending needs is reinvested in the investment pool.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration due to unfavorable market fluctuations. When this is the case, any such deficiencies are monitored for future results. At September 30, 2021, there were \$2,939 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies at September 30, 2021, the aggregate original gift amounts were \$342,913, while the aggregate fair value amounts are \$339,974. At September 30, 2020, there were \$425,433 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies at September 30, 2020, the aggregate original gift amounts were \$1,620,113, while the aggregate fair value amounts are \$1,194,680.

University of North Alabama Foundation
Notes to the Financial Statements
September 30, 2021 and 2020

Changes in endowment net assets as of September 30, 2021 and 2020, are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets at September 30, 2019	\$ 29,861,191
Contributions, net	991,879
Investment income	2,402,345
Amounts appropriated for expenditure	(1,616,790)
Transfer	<u>166,398</u>
Endowment net assets at September 30, 2020	\$ 31,805,023
Contributions, net	4,221,598
Investment income	6,713,242
Amounts appropriated for expenditure	(1,095,081)
Transfer	<u>(253,271)</u>
Endowment net assets at September 30, 2021	<u>\$ 41,391,511</u>

For the year ending September 30, 2021, investment management fees and investment income activity fees were \$143,432 and \$13,836, respectively.

For the year ending September 30, 2020, investment management fees and investment income activity fees were \$141,091 and \$5,484, respectively.

Remainder Trusts and Gift Annuities

Remainder trust agreement assets are managed on an individual account basis in a diversified portfolio designed to reduce payment volatility, consider tax implications and maximize the value of each gift. Gift annuity assets are managed as a pool.

University of North Alabama Foundation
Notes to the Financial Statements
September 30, 2021 and 2020

Investments by Group

	<u>2021</u>		
	General Investment <u>Pool</u>	Remainder Trusts and Gift <u>Annuities</u>	<u>Total</u>
Cash & Withdrawals	\$ 1,081	\$ -	\$ 1,081
Certificate of Deposit	511,042	-	511,042
Marketable Mutual Funds	39,524,143	336,013	39,860,156
Limited Partnerships	<u>3,480,942</u>	<u>-</u>	<u>3,480,942</u>
Total Investments at September 30, 2021	<u>\$ 43,517,208</u>	<u>\$ 336,013</u>	<u>\$ 43,853,221</u>

	<u>2020</u>		
	General Investment <u>Pool</u>	Remainder Trusts and Gift <u>Annuities</u>	<u>Total</u>
Cash & Withdrawals	\$ 35,636	\$ 8,393	\$ 44,029
Certificate of Deposit	511,042	-	511,042
Marketable Mutual Funds	28,964,330	309,153	29,273,483
Limited Partnerships	<u>2,459,164</u>	<u>-</u>	<u>2,459,164</u>
Total Investments at September 30, 2020	<u>\$ 31,970,172</u>	<u>\$ 317,546</u>	<u>\$ 32,287,718</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Investment Valuation

Investments are reported at estimated fair value as determined by the Foundation, based upon a fair value hierarchy that prioritizes the input techniques used to measure fair value in accordance with Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The ASU removed the requirement to categorize by level within the fair value hierarchy all investments with fair value measured using net asset value as a practical expedient and removed all other disclosure requirements.

University of North Alabama Foundation

Notes to the Financial Statements

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The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data;
- Level 3: Significant unobservable inputs for assets or liabilities.

A financial instrument's level within this fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. All transfers between fair value hierarchy levels are recognized at the beginning of each reporting period. The fair value hierarchy does not correspond to a financial instrument's relative liquidity in the market or to its level of risk.

In determining the reasonableness of the fair value measurement methodology, management, with the oversight of the Investment Committee, evaluates a variety of factors including review of existing contracts, economic conditions, and industry and market developments. Certain unobservable inputs are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

Level 1 investments are typically investments in debt and equity marketable securities but may also include money market funds, certificates of deposit, and other highly liquid investments with maturities of 90 days or less with high credit quality entities. All level 1 investments are reported at fair value.

For any level 3 investments, fair value would be determined by the Foundation to be best estimated by giving consideration to any factors which might necessitate an adjustment such as initial and ongoing due diligence monitoring, significant market or portfolio changes, and assumptions of a new hypothetical market participant. The Foundation does not have any level 3 investments.

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The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>At NAV</u>	<u>Total</u>
Certificates of Deposit	\$ 511,042	\$ -	\$ -	\$ -	\$ 511,042
Money Market	1,081	-	-	-	1,081
Mutual Funds:					
SEI Extended Mkt Index-A	823,449	-	-	-	823,449
SEI Large Cap Fund	6,535,231	-	-	-	6,535,231
SEI S&P 500 Idx-A	6,606,752	-	-	-	6,606,752
SEI Small Cap II Fund-A	836,584	-	-	-	836,584
SEI Core Fixed Income Fund #285	10,637,057	-	-	-	10,637,057
SEI High Yield Bond Fund #284	3,393,675	-	-	-	3,393,675
SEI Global MGD Volatility FD	1,670,220	-	-	-	1,670,220
SEI World Equity Ex-US Fund	7,386,249	-	-	-	7,386,249
SEI SIIT Real Return A	838,098	-	-	-	838,098
SEI Large Cap Index Fund	133,255	-	-	-	133,255
SEI Limited Duration Bond	999,586	-	-	-	999,586
Total Mutual Funds	39,860,156	-	-	-	39,860,156
Limited Partnerships:					
Core Property	-	-	-	655,216	655,216
Private Assets	-	-	-	290,131	290,131
Opportunistic	-	-	-	47,238	47,238
Real Assets	-	-	-	843,712	843,712
Private Equity	-	-	-	1,644,645	1,644,645
Total Limited Partnerships	-	-	-	3,480,942	3,480,942
	<u>\$40,372,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,480,942</u>	<u>\$43,853,221</u>

University of North Alabama Foundation
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The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>At NAV</u>	<u>Total</u>
Certificates of Deposit	\$ 1,274,060	\$ -	\$ -	\$ -	\$ 1,274,060
Money Market	44,029	-	-	-	44,029
Mutual Funds:					
SEI Extended Mkt Index-A	686,733	-	-	-	686,733
SEI Large Cap Fund	5,067,714	-	-	-	5,067,714
SEI S&P 500 Idx-A	5,212,000	-	-	-	5,212,000
SEI Small Cap II Fund-A	637,479	-	-	-	637,479
SEI Core Fixed Income Fund #285	7,133,703	-	-	-	7,133,703
SEI High Yield Bond Fund #284	2,468,407	-	-	-	2,468,407
SEI Global MGD Volatility FD	1,204,639	-	-	-	1,204,639
SEI World Equity Ex-Us Fund	5,940,908	-	-	-	5,940,908
SEI SIIT Real Return A	612,747	-	-	-	612,747
First Eagle Global Fund	228,504	-	-	-	228,504
Gotham Neutral FD	80,649	-	-	-	80,649
Total Mutual Funds	29,273,483	-	-	-	29,273,483
Limited Partnerships:					
Core Property	-	-	-	550,340	550,340
Private Assets	-	-	-	44,205	44,205
Opportunistic	-	-	-	92,994	92,994
Real Assets	-	-	-	715,551	715,551
Private Equity	-	-	-	1,056,074	1,056,074
Total Limited Partnerships	-	-	-	2,459,164	2,459,164
	<u>\$30,591,572</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,459,164</u>	<u>\$33,050,736</u>

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September 30, 2021 and 2020

The following table provides information related to the previously mentioned investments that are valued based on Net Asset Values (NAV) at September 30, 2021:

	Fair Value at September 30, <u>2021</u>	Unfunded Commitments at September 30, <u>2021</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice</u> <u>Period</u>
Core Property (a)	\$ 655,216	\$ -	Quarterly	90 Days
Opportunistic (b)	47,238	78,645	Annual	90 Days
Real Assets (c)	843,712	340,000	Annual	90 Days
Private Assets (e)	290,131	-	Quarterly	90 Days
Private Equity (d)	1,644,645	200,000	Annual	90 Days
Total	<u>\$ 3,480,942</u>	<u>\$ 618,645</u>		

- a) *Core Property* – This category generally consists the collective investment of assets of participating tax qualified pension and profit sharing plans and relates trusts, and governmental plans (or the assets of a governmental unit used to satisfy its obligations under a governmental plan).
- b) *Opportunistic*– This category may include any strategy that offers exceptional risk/reward opportunities. This category is designed to provide the Investment Committee with the flexibility to select investments for a relatively small part of an overall allocation, which may not fit into the other designed allocation categories.
- c) *Real Assets* – This category will generally consist of managers that invest in a diverse basket of tangible assets with built-in inflation protection characteristics. These investments will primarily be long-only.
- d) *Private Equity* – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.
- e) *Private Assets Fund* – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.

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Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 6 – PLEDGE RECEIVABLES

Pledge receivables, which are unconditional promises to give, are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. For pledges, the discount rates used to determine present values are based on U.S. Treasury note rates for comparable maturities at the date of the pledge. These average to approximately 1.2%.

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2021, are as follows:

	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Total</u>
Pledges			
Gross	\$ 469,189	\$ 551,279	\$ 1,020,468
Discount	-	(13,545)	(13,545)
Allowance	<u>-</u>	<u>(86,537)</u>	<u>(86,537)</u>
Total Pledges at September 30, 2021	<u>\$ 469,189</u>	<u>\$ 451,197</u>	<u>\$ 920,386</u>

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2020, are as follows:

	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Total</u>
Pledges			
Gross	\$ 727,413	\$ 750,314	\$ 1,477,727
Discount	-	(21,361)	(21,361)
Allowance	<u>-</u>	<u>(85,088)</u>	<u>(85,088)</u>
Total Pledges at September 30, 2020	<u>\$ 727,413</u>	<u>\$ 643,865</u>	<u>\$ 1,371,278</u>

University of North Alabama Foundation
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 7 – FIXED ASSETS

Fixed assets consisted of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donated artifacts and collectibles	\$ 98,650	\$ 98,650
Furniture and equipment	<u>24,364</u>	<u>24,364</u>
	123,014	123,014
Less accumulated depreciation	<u>(24,364)</u>	<u>(24,364)</u>
Total Fixed Assets	<u>\$ 98,650</u>	<u>\$ 98,650</u>

Depreciation expense was \$0 for both the years ending September 30, 2021 and September 30, 2020.

NOTE 8 –OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS

The Foundation has entered into irrevocable charitable gift annuity agreements with donors whereby in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years.

The Foundation has also entered into charitable remainder annuity and unitrust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Remainder trust obligations are an actuarially determined liability which represents the present value of estimated future payments to beneficiaries, taking into consideration their life expectancy and discounted at applicable interest rates.

A liability is recognized for the estimated present value of the both the gift annuities and the remainder trusts and the assets are recorded at their gross market value for agreements where the Foundation is the trustee. The discount rate and actuarial assumptions used in calculating the split-interest obligation are those provided in American Council on Gift Annuity guidelines and actuarial tables. The annuity payments are a general obligation of the Foundation.

Assets of the Foundation that are derived from gift annuities and charitable remainder trusts are included in investments on the statement of financial position. The values of these at September 30, 2021 are as follows:

	Split-Interest Agreement <u>Assets</u>
Cash	\$ -
Mutual Funds	<u>336,013</u>
	<u>\$ 336,013</u>

University of North Alabama Foundation
Notes to the Financial Statements
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The values of these at September 30, 2020 are as follows:

	Split-Interest Agreement
	<u>Assets</u>
Cash & Withdrawals	\$ 8,393
Mutual Funds	<u>309,153</u>
	<u>\$ 317,546</u>

Changes in obligations under the gift annuity and remainder trust contracts at September 30, 2021 and 2020, were as follows:

	Total Split- Interest
	<u>Liabilities</u>
Total Obligation at September 30, 2019	\$ 242,537
Obligation on New Gifts	-
Payments to Beneficiaries	(31,199)
Actuarial Value Changes	<u>18,786</u>
Total Obligation at September 30, 2020	\$ 230,124
Obligation on New Gifts	-
Payments to Beneficiaries	(31,199)
Actuarial Value Changes	<u>11,575</u>
Total Obligation at September 30, 2021	<u>\$ 210,500</u>

The above amounts agree to the statement of financial position as follows:

	<u>2021</u>	<u>2020</u>
Current Portion	\$ 31,199	\$ 31,199
Non-Current Portion	<u>179,301</u>	<u>198,925</u>
	<u>\$ 210,500</u>	<u>\$ 230,124</u>

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

NOTE 9 - RELATED PARTY

University Support

The University of North Alabama Foundation exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services, instruction, and scholarship purposes. During the years ended September 30, 2021 and 2020, the Foundation expensed \$2,230,446 and \$2,562,159, respectively, in support of the University's programs and scholarships.

At September 30, 2021, pledge receivables from University Board of Trustees/Foundation Board of Directors and Alumni Association were \$195,828 and \$12,917, respectively.

At September 30, 2020, pledge receivables from University Board of Trustees/Foundation Board of Directors and Alumni Association were \$396,375 and \$12,917, respectively.

During the years ended September 30, 2021 and 2020, the Foundation has payables to the University of \$619,526 and \$376,804, respectively.

Personnel Costs and Facilities

The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was \$27,772 and \$26,449 for the years ending September 30, 2021 and 2020, respectively. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for the years ending September 30, 2021 and 2020 were \$1,078,346 and \$1,030,902, respectively. Supplies paid by the University for the Foundation totaled \$24,310 and \$27,026 for the years ending September 30, 2021 and 2020, respectively.

Funds Held for Others

The Foundation has an affiliation agreement with the North Alabama Lions Athletic 's Club. The North Alabama Lions Athletic Club has transferred funds to the Foundation for recordkeeping purposes. These funds are pooled together with the Foundations funds and the Foundation records a liability for such funds. As of September 30, 2021 and 2020, the liability associated with such funds was \$299,705 and \$115,053, respectively

University of North Alabama Foundation
Notes to the Financial Statements
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NOTE 10 – FUNCTIONAL EXPENSES

Certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort, and usage of assets. For 2021 natural expense accounts were allocated as follows:

	Year Ending September 30, 2021				
	Program Services		Supporting Services		Total
	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	
Scholarships Awarded	\$ 856,881	\$ -	\$ -	\$ -	\$ 856,881
Eminent Scholars Support	177,211	-	-	-	177,211
Academic Program Support	307,879	-	-	-	307,879
Alumni Program Support	28,427	-	-	-	28,427
Annuities	11,575	-	-	-	11,575
Athletic Department Support	504,753	-	-	-	504,753
Student and Faculty Support	139,913	-	-	-	139,913
Other Program Support	112,615	-	-	-	112,615
Capital Projects Support	91,192	-	-	-	91,192
Contract Services - Other	-	31,312	2,000	33,312	33,312
Supplies	-	10,317	2,654	12,971	12,971
Postage	-	10,679	2,490	13,169	13,169
Legal & Accounting	-	18,850	-	18,850	18,850
Printing & Copying	-	9,788	-	9,788	9,788
Membership Dues	-	4,097	-	4,097	4,097
Marketing	-	415	69,238	69,653	69,653
Donations & Sponsorships	-	6,350	-	6,350	6,350
Software & Maintenance	-	63,677	-	63,677	63,677
Insurance	-	7,138	-	7,138	7,138
Fees	-	11,500	-	11,500	11,500
Travel, Lodging, & Meals	-	-	4,108	4,108	4,108
Staff Development	-	10,119	-	10,119	10,119
Donor Appreciation	-	9,821	-	9,821	9,821
Fundraiser & Volunteer	-	-	12,579	12,579	12,579
In-Kind Expense	-	666,739	463,689	1,130,428	1,130,428
General Support	-	333,682	-	333,682	333,682
Total	\$ 2,230,446	\$ 1,194,484	\$ 556,758	\$ 1,751,242	\$ 3,981,688

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Notes to the Financial Statements
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For 2020 natural expense accounts were allocated as follows:

Year Ending September 30, 2020					
	Program Services	Supporting Services			Total
	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	
Scholarships Awarded	\$ 855,295	\$ -	\$ -	\$ -	\$ 855,295
Eminent Scholars Support	158,539	-	-	-	158,539
Academic Program Support	197,698	-	-	-	197,698
Alumni Program Support	41,583	-	-	-	41,583
Annuities	18,786	-	-	-	18,786
Athletic Department Support	579,337	-	-	-	579,337
Student and Faculty Support	253,003	-	-	-	253,003
Other Program Support	457,918	-	-	-	457,918
Contract Services - Other	-	26,968	18,591	45,559	45,559
Supplies	-	5,876	180	6,056	6,056
Postage	-	25,795	-	25,795	25,795
Legal & Accounting	-	18,275	-	18,275	18,275
Printing & Copying	-	10,269	-	10,269	10,269
Membership Dues	-	4,413	-	4,413	4,413
Marketing	-	40,500	-	40,500	40,500
Donations & Sponsorships	-	1,450	1,750	3,200	3,200
Software & Maintenance	-	68,094	-	68,094	68,094
Insurance	-	12,593	-	12,593	12,593
Fees	-	10,766	-	10,766	10,766
Travel, Lodging, & Meals	-	1,486	18,247	19,733	19,733
Staff Development	-	20,316	-	20,316	20,316
Donor Appreciation	-	5,496	-	5,496	5,496
Fundraiser & Volunteer	-	12,399	1,369	13,768	13,768
In-Kind Expense	-	772,476	312,900	1,085,376	1,085,376
General Program Support	-	428,531	-	428,531	428,531
Total	\$ 2,562,159	\$ 1,465,703	\$ 353,037	\$ 1,818,740	\$ 4,380,899